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COOPERATIONS IN THE NONPROFIT SECTOR:
NOVA SBE – IES SBS STRATEGIC ALLIANCE

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Abstract

Many Nonprofit Organizations are pursuing mergers and alliances with the purpose of become more sustainable, better use their resources, and generate a higher impact. This report wants to bring further concrete evidences to the contents highlighted by the researchers. Firstly, a theoretical framework is derived from the literature analysis. Based on that a case study is developed, which see the NOVA SBE and the IES – SBS planning a strategic alliance to constitute a new Social Entrepreneurship Center.

A first analysis of the strategic alliance plan showed a wide potential in terms of impact generated and sustainability, only the future steps will be able to demonstrate the successful implementation.

Key Words:

Success, Mergers and Acquisitions, Collaboration, Social Entrepreneurship Center

1. Introduction and Purpose of the Work

Mergers and Acquisitions (M&A) reported a significant increase during the last years. This process is one of the most important and difficult strategic decision a company might face. Increase of revenues, acquisition of more competencies and technologies at a lower cost than build it, costs reduction, are just some of the reasons behind a merger. Although the opportunities are various and the achievable results looks promising, we also need to be aware that the risks of an unsuccessful implementation are many and not always easy to isolate.

M&A started to be widely used also among Non-Profit organizations in order to use more efficiently the resources at their disposal and increase the impact generated on the community they are serving. In addition, the troubled economy, which caused a reduction of available funding opportunities, represented a catalyst to this phenomenon.

1.1 Purpose of the work

The merging process is a long path, where two organizations, becomes a single entity in which culture, vision, leadership, organizational practices and numerous other factors need to be perfectly integrated to ensure the success. Depending on their size, the experience of the managers, and whether or not the merge is facilitated by a consultancy firm, the difficulties may vary.

Many researchers have been conducting studies in order to build a sort of framework that can guide organizations to a successful implementation of the merging process. Starting from the reason for merging, to the selection of the most appropriated partner, until the effective transition from two to one organization, a step-by-step process has been defined.

The main objective of this report is to understand whether this systematic path can be applied to different scenarios of merging organizations. A case study will be developed, with the purpose of enriching the existing knowledge with more practical evidences.

1.2 Success definition and measures in NPOs

Since any form of collaboration such as a strategic alliance or a merger aim to increase the success, it is important to understand what success means in the Social Sector and how to measure it. The shared meaning of success in the world of profit organizations is related with wealth and profit of the organization, which is usually measured by standards metrics, indexes and rates.

Initially, most of the NPOs used the same approach, but at a later stage they realized that those kinds of metrics were not that useful to measure the real success of a Non-Profit Organization, which is stated by its own mission. In fact, we can define the success as the ability of an organization to achieve its mission effectively and efficiently.

Although, the mission of some organizations may sound abstract and exceedingly ambitious, there are systematic approaches that can be used to quantify their success, according to a research conducted by Sawhill & Williamson (2001) on 20 leading non-profits organizations. As point of reference to explain how the usual metrics are not useful in this sector, they took as example the situation experienced by “*The Nature Conservancy*”, whose mission is “*to preserve the diversity of plants and animals by protecting the habitats of rare species around the world*”. The researchers found out that the *Conservancy* was solely taking into account the easiest measurable part of its mission. The organization was simply considering the amount of donation received and the number

of acres they were protecting. Unfortunately, although this metric was useful to show donors and governors that the protected area were increasing and attract further resources into the organization and motivating the staff, later on the managers realized that it was not as good in determining the overall success. The main concern became the fact that the variety of species were decreasing even in the protected areas. This was a clear signal that the way the success was measured was inadequate.

Fortunately, the Conservancy had the ability to react and establish a new method, which is usable from other any NPO. The new framework, called “The Family of Measures” takes into account three different type of measures:

- Impact Measures (related to Mission and Vision)
- Activity Measures (related to Goals and Strategies)
- Capacity Measures (related to Tactics and Activities)

Adopting those three metrics, an organization, can assess its ability on using the resources at disposal, the effectiveness of the staff, and how much the mission is close to be achieved. Whether the activity and the capacity measures are relatively easy to gather, it is still difficult for most of the non-profits, to understand how they can establish proper metrics related to the mission and vision. However, according to Sawhill & Williamson’s research, there are three alternatives a NPO can use to measure its success related to the mission.

One of them consists in narrowing the mission to make it quantifiable. The researchers claimed that many organizations have a mission that may sound too broad when trying to define performance metrics. For that reason, they need to narrow the scope in order to get a reliable measure.

The second alternative consists in investing on research with the purpose of understand whether the activities offered, are really mitigating the social problem the mission is addressing.

For those companies that do not find easy to narrow the scope or invest in research, either because their mission is not easily quantifiable or because the resources are not enough to be spent on research projects, they can rely on a third option. Those organizations, can try to build some micro level goals that if achieved imply the overall success when brought to large scale.

Henderson et al. (January 2002) offer another interesting perspective on success measurement, somehow similar to the study just cited above. With their study based on the experience of the *Christian Children's Fund* (CCF), four basic steps that can help NPOs to measure their impact have been identified. The CCF as it happened to *The Nature Conservancy*, realized that the mainstream metrics used in the profit sector were not enough to determine their success achievement. Therefore, they developed another method that has been translated by the researchers in a four steps framework:

- Identify the organization's mission
- Develop qualitative requirements for indicators and measurements
- Develop primary indicators and measurements
- Implement the new performance measurement system

Once the mission is established, it needs to be decided which indicators and measures are the most related to the mission and take them into consideration. In the third step it is important to involve the staff in developing those indicators because many inputs and insights may arise from different levels of the organization. The last step has the goal of

make the decision making process more effective. In fact, through the performance measurement it can be decided how to allocate resources among the different activities according to the outcomes that the organization is more eager to achieve.

2. Literature Review

2.1 Merger and Acquisitions

A merger consists in the union between two or more organization, which agree to create a new entity in order to achieve their shared objective. Instead, the acquisition refers to the situation in which an organization takes over another one. However, when speaking about M&A, also other forms of collaboration are taken into consideration due to the similar dynamics of their implementation process and motivations behind.

2.1.1 Why NPOs should consider merger

Differently from the profit sector in which M&A are mostly seen as a strategy decision to fuel the growth of the company, in the non-profit sector, different studies converge to the same conclusion that this practice is usually implemented to overcome the downturn of the economy, Cortez et al. (2009). In fact, according to a research conducted by the Institute for Voluntary Action (IVAR), Cairns & Hutchison (April 2001), which does include also studies from other institutions, merger is often considered and defined by non-profit managers as a reactive strategy. The environment which is characterized by a scarcity of resources and uncertainty leads many organizations to think about collaborating with others as a last-resort effort.

Nevertheless, a merger or other forms of collaboration can offer NPOs a powerful tool to implement a proactive strategy. Enhancement of services to the community, share limited resources, and leverage assets are an example of how collaborating can benefit two collaborating organizations (Strobel s.d.).

From the analysis of the literature considered, we can extrapolate and suggest a list of reasons for considering a merge among NPOs:

- Sector Fragmentation and Smallness Vulnerability
- Governance Problems
- Meeting the users' needs more effectively and Broader the Offer
- Gain more influence over the external environment

The social sector is known to be highly fragmented with numerous organizations spread all over the world, often addressing the same social issue. This, results in having expensive infrastructure replicated for all this small organizations, thus threatening the ability to achieve the desired impact in an effective and efficient way. Furthermore, in non-profit organizations is often the case in which staff may be not properly engaged in the strategic decision making process due to the nature of their work which is usually on voluntary basis.

Through collaboration, many organizations could exploit a single infrastructure generating economies of scale, reducing costs, having more resources at disposal, therefore generating a higher impact over the problem they are tackling. In addition, working together, some organizations could play an important role in changing the external environment gaining awareness among institutions, funders and policy makers along with the subsequent advantages that derive from.

2.1.2 A Framework for Merging

Many researchers have been studying how to build a sort of framework able to provide managers of non-profit organizations with some guidelines on how to carry out a merge process properly.

One of the most comprehensive step-by-step process description has been proposed by Owen et al. (March 2011) in a joint research project carried by the institutions “MAP for Non-profits” and “Wilder Research”.

The study, divided the whole process in three separate phases:

1. Pre-merger

2. Merging Process

3. Post-merger

All the three phases are important to ensure the success of the implementation, but the first stage is fundamental to lay the foundations of a lasting and effective collaboration.

The **Pre-merger** phase consists in the identification of the right partner, which is one of the most difficult decisions a board of managers has to take due to the number of variables to be considered. First of all, despite the financial stability is something that most of the organizations expect to achieve through the merge, it is one of the prerequisite to put the basis of the collaboration. Regarding this point, the focus groups conducted, shown that a difference has to be made between organizations that are in serious financial issues and the ones that are simply in a situation in which they are suffering a temporary lack of resources due to the downturn of the economy, but are not fighting for the survival and therefore still presenting a potential. What it is also need to be considered, is that a merger process

implies some costs such as logistics, administration and consulting in case the companies rely on consultancy firms to carry out the implementation.

A second important aspect is represented by the external conditions. Here we need to underline that sometimes there is a pressure to consolidate exercised by funders with the objective of promoting efficiency. Often, funders ask the organizations to prove their efficiency making them thinking about merger in order to meet the efficiency requirements and preserve the funding. External conditions are also referred to the increased competition for resources. Obtain funding for small NPOs became exceedingly difficult due to not only the fragmentation and the presence of the numerous competitors within the social sector, but also because many for-profit organizations started offering the same or similar services raising somehow the number of competitors.

The third factor, regards the organizational structure of the organizations and its compatibility with a hypothetical partner. Firstly, size, budget and age are analyzed to understand if the company is mature and large enough to be involved in a merge process. Large and more experienced organizations normally are more flexible, have stronger finances and can take advantage of the reputation built. In second place but not of less importance, a comparison is needed to determine how compatible the two organizations are. To do so, the mission, the vision and culture must be aligned and eventual clashes have to be addressed before they are eventually raised in the middle of the implementation process. For this reason, it might be helpful if the two organizations already worked together in some projects and they have the reciprocal respect and trust for each other.

A last important point to be stressed in the pre-merger phase is about leadership. It does not only have to be skilled enough to carry out the project in a professional way but also it has

to be willing to show a strong commitment since the merging implementation is a process that takes a lot of time and requires extra-efforts. Leaders are responsible to motivate staff and all the other stakeholders involved, communicating the changes in a participating way. A lack of skilled leadership will obviously discourage the counterpart to join the partner.

After the right partner is identified, the actual **implementation process** begins. Recalling the last point treated of the pre-merger process regarding the leadership and stakeholder involvement, also during the implementation it is important that the key stakeholders are identified and ensure that a transparent and clear communication is established among all of them. When this concept is applied properly, also the clients, consumers and funders are involved in the planning phase in order to achieve a shared consensus and put the basis for a successful implementation.

As we said, the merging process brings a lot of work to the staff, which for this reason needs to be involved in all the phases of the process from participating in the planning activities until giving them the opportunity to express their feedback and perception on how is the merger going. It is important for the managers to know how the new entity created is going to impact the work of the single employee on a daily basis, for the obvious reason that what any company does is made of the direct and indirect work of its staff. How the merger is perceived from the staff can influence the success of the whole process.

Once again, we need to speak about integration of the formal and informal structure of the two partners. Although, as we previously mentioned the culture, the vision and the mission has to be aligned, we would never expect that they are exactly the same. Thus, an integration of the structures is needed. Firstly, it is important to understand which are the

procedures and policies in place and based on that try to unify the similar ones and drive a smooth integration of the ones that are not yet shared. Regarding the mission and the vision, the new entity created will have to establish its mission statement in a way that the missions of both organizations are included and on which they both identify themselves in terms of commitment. The vision should underline the fact that the two entities are willing to cooperate in order to achieve something that would not be able to do if operating separately.

A last aspect, but not less important, to be taken into consideration during the process is about providing due diligence to the process. This means, that the decision making process has to be clear regarding how everything is going to work, what is the impact on the stakeholders from the board to the staff until the consumers. Moreover, is crucial to define a realistic timeframe because a merge process is extremely time consuming and this might be underestimated by the managers. In fact, according to the focus groups conducted by the researchers, many non-profit leaders claimed that consultants can be a strong help in determining a time line for the project in an appropriate way.

Once the process is concluded and the new entity starts walking on its feet, the **post-merger** phase begins. At this stage, it has to be checked whether the new entity is delivering the results expected. First, the focus is posed on the financial stability. The outcome expected is that the new entity will use resources more efficiently therefore benefit in terms of finances. Moreover, a merger is expected to strengthen its image and reputation gaining further support from funders and the community.

A second factor concern the services offered. In fact, the new entity should be able, through the merger, to expand the portfolio of services offered, since one of the objectives is to

better serve the community. At the same time, a better quality of the services already offered has to be achieved thanks to the much broader expertise the new entity should have at its disposal.

What it is also important to evaluate is the change in the organizational capacity and structure. As a consequence of a merge, economies of scale are desired as well as an increase on the operational efficiency is expected. Concerning the structure, it is expected that the changes in staff, management and governance will result in a better aligned structure able to achieve higher efficiency under the organizational and operational level.

Last but not the least, after a merger, we have to make sure the integrity of the culture is preserved. Many organizations may have worked independently for many years and a merging process could threat its stability in terms of culture changes. For this reason is important to gather feedback from inside and outside the organization reaching the entire stakeholder involved, to see if adjustments are needed.

2.1.3 Merger threats to successful implementation

Although as we have seen the merger is a useful and powerful tool that many NPOs can use as a strategy to generate a wider impact and be more sustainable, it has to be considered that there are many challenges and barriers that can prevent a successful collaboration. According to the study used to derive a step-by-step framework, the signals that a merger is unlikely to succeed are many, including differences in governance, culture or mission, board or staff opposition, lack of skills from the leaders carrying out the process or organizations' fear for losing autonomy.

Meanwhile, another interesting point of view has been considered from Milway et Al (Spring 2014), in which four barriers are considered as potential issues.

The first one is about timing. There is a general lack of knowledge about when and how to think about joining a merger.

The second is about lack of resources for due diligence and post merger integration.

Third one regards the fact that a structured marketplace has never be created due to the shortage of matchmakers, making difficult for NPOs to identify the right options.

At last, the tendency of many organizations to think about merger in a reactive way to avoid financial issues instead of a proactive growth strategy.

However, since those factors have been identified, many progresses has been made and the researchers are now questioning themselves why many mergers are still failing.

During their research, they found out that most of the problems were related to emotional issues of boards, senior staff and brand.

Analyzing different cases, the conclusion was that the boards often have difficulties on considering changing their mission statement and are reluctant to accept changes to the structure even though this would mean generating more impact.

In relation to the senior staff, the problem is that when a merger is implemented, many senior positions may be redundant and find another role for all senior staff might be a real issue. This problem would of course interfere with a successful implementation, and organizations thinking about collaborations should always plan ahead how all the roles will change and develop ideas to reassign roles and responsibilities among the senior staff.

The brand aspect, although might be more related to the profit sector in which it is really important for the image of the company to keep its own brand even when merging, many

nonprofit organizations may face the same issue. In fact, a certain brand might have a better reputation or be better positioned in a certain geographic area. This could result in some frictions between the two players when deciding which brand to adopt. The ideal situation would therefore consist in the two organizations creating a common brand which does integrate the two separate in a way that awareness and reputation would only be positive affected.

3.0 Methodology

Following the literature review, which does offer guidelines to the organizations aiming at successfully implement a merger or another form of collaboration, this report takes the form of a case study with the purpose of providing more practical evidences to the existing knowledge and literature.

Firstly, two organizations have been identified and considered separately to understand their structure, the environment in which they are working, and how they are currently performing.

After that, a detailed plan of the strategic alliance they are implementing is analyzed and compared with the findings of the literature.

4.0 IES-Social Business School – NOVA SBE Strategic Alliance

The two organizations considered in this work are the **Instituto de Empreendedorismo Social – Social Business School** and the **NOVA School of Business and Economics**. The two institutions are cooperating to create a Social Entrepreneurship Center with the main purpose of generating a higher impact, in a more sustainable and efficient way.

4.1 The IES-Social Business School

Nowadays, many people are looking at social problems with different eyes. In fact, an increasing number of entrepreneurs are starting a business within the social sector with the objective of being financially sustainable while delivering a service or a product that can alleviate or in the best scenario solve a social neglected issue. The IES-SBS is a business school, contributing to this cause by offering specific courses focused on Innovation and Social Entrepreneurship and therefore making available the knowledge to all those people that want to improve the society. The legal form of the organization is a non-profit organization with the statute of a NGOD with the main social entities being the General Assembly, Strategic Council, Fiscal Council and the Board of Executives. The **mission** of the organization is *“to inspire and empower the world through Social Entrepreneurship”*. With a **vision** of *“to be the point of reference for Social Entrepreneurship in the lusophone world, promoting innovation, knowledge, education and social impact”*, the IES-SBS intent is to involve all the stakeholders that play an important role in the social sector, including Social Investors, Universities, Leaders of social initiatives, and Governments.

In 2014, the organization had a yearly turnover of 700.000 € realized as revenues from own products and services, showing an annual compound growth rate of 31% (2009-2014). According to the forecast conducted by the IES, the turnover will reach 910.000 € in 2015, 1.115.000 € in 2016 and 1.460.000 € in 2017.

Currently, the IES concentrate its efforts on four different areas:

1. Social Innovation Lab

Objective of the Lab is to identify innovative and sustainable solutions that show a wide potential. Those initiatives are analyzed in terms of impact generated at both local and

regional level. Initiatives are therefore certified with the ES+ Methodology, which is a dynamic methodology with the final goal of optimizing the resources while maximizing the results.

2. Social Investment Lab

In collaboration with “*Social Finance*” and “*Fundação Calouste Gulbenkian*”, the Lab offers services and support in order to help organizations obtaining social investments and improve the generated impact. Moreover, it conducts feasibility studies for social investment projects in many different areas.

3. Social Business Lab

Through the collaboration with “*B-Lab Portugal*” and “*África Lusófona*”, the Social Business Lab provide with the B-Company certification, companies that redefined the concept of business success, creating solutions to social problems. Furthermore, it is involved with companies in the development of corporate social entrepreneurship projects.

4. Social Business School

The social business School offers open programs as well as customized programs that, through training and courses, supports the whole life cycle of the initiatives. On top of that, there is also the goal of enriching the existing knowledge over the social business world. In order to do that, a strong commitment stands on Research and Development through the development of master theses, benchmark analysis and publication of articles. In addition, production of education contents such as manuals, case studies, and other tools, represents one of the key roles of the school to keep the environment updated and make the knowledge available.

4.2 The NOVA School of Business and Economics

The NOVA SBE is one of the most prestigious Business and Economics University in Europe. Its **mission** is *“To produce graduates and postgraduates equipped for the marketplace; Serve the wider community and advance knowledge; Profit from our strengths. As a Combined school of Economics, Finance and Management, we benefit from the synergy between these disciplines; Bring prestige to Portugal, our students, Faculty, alumni and staff through international recognition”*.

Pursuing the vision of *“Staying among the best faculties in Europe”*, the NOVA SBE is today ranked 28th best business school in Europe according to the Financial Times annual ranking. Its Masters programs are all well positioned in the respective rankings on a global scale. In 2015, the Master in Management has been registered as the highest climber in the world ranking, meaning that the institution is effectively working in achieving its mission and vision objectives.

The activities of the school can be divided in Education and Services.

In the education area, we can find everything that is related to academic studies, such as Bachelors in Economics or Management, Masters in Economics, Finance or Management, PHDs and The Lisbon MBA. Moreover, there are also specific open programs tailored for executives. Like most of other universities, also the NOVA SBE has knowledge centers, a library, and pursues the enhancement of the knowledge available.

Regarding the services, they are thought to support the academic activities and could be considered complementary to those. Together with associations like AIESEC and AHEAD, the Career Management Office supports students in the early stages of their careers organizing events and meeting, therefore facilitating the beginning of their careers. In

addition to the regular courses and services the university offers, it has also always been involved in activities meant to help the community. Main example are represented by the NOVA Social Consulting Club and the knowledge center NOVAFRICA. The first, under the guidance of advisors and experts, provides opportunity to the students interested in the field to work for Social Enterprises in the role of consultants. The main services offered regard the strategy formulation, the fundraising and the marketing and communication strategy. A great benefit this club brings is that students can have the opportunity to build a strong experience and generate a positive impact since the early stages of their career.

Regarding the NOVAFRICA knowledge center, it develops research activities focusing on the Portuguese-speaking countries of Africa. The purpose is to increase the level of expertise in the field of the African economic development, enriching the existing knowledge through publications and developing strategic advices as well as delivering consulting services to the stakeholders operating in that market. A group of NOVA SBE students every year have the opportunity to join projects in different countries of Africa, therefore having the benefit of the most direct contact with this field.

According to the data collected, in 2010, the NOVA SBE is financed by the government for 50% of its yearly turnover (9.777.821 €), while the other half of it is divided between the tuition fees paid by the students (35%) and other forms of finances, including MBA, executive courses, and services (15%).

Among the tuition fees, Masters and Bachelors, produce roughly the same revenues, meanwhile the PhDs only count for 3% of the total.

In conclusion, the board recently announced the creation of a new campus which will enable the school to accept a larger number of students and provide them with a better

quality in terms of studies, facilities and accessibility, thus improving the reputation of the school.

The new infrastructure which has an estimated cost of 50.000.000 €, is mainly financed through donations and collaboration agreements with both public and private institutions.

4.3 The Social Entrepreneurship Center

Now that the two organizations have been introduced, we can move more into the details regarding the strategic alliance that is taking place.

The intent of IES – SBS and NOVA SBE is to create a Social Entrepreneurship Center, as most of the top business schools in the world are doing. The Stanford Center for Social Innovation, the INSEAD Social Innovation Center and the Skoll Center for Social Entrepreneurship of the University of Oxford are an example of how many important institutions are focusing on this subject.

Most of the activities that the new center will perform are same as the one performed by the just mentioned centers, including research, trainings, consulting projects and conferences. In addition, it will also include the release of ES+ Certifications, Mentoring and Networking, Inspiration, besides also serving as an initiatives' incubator.

Purpose of the strategic alliance is to maximize the impact, being more sustainable and enabling the two organizations to achieve their respective missions in a more effective way.

The center's mission would therefore be *“To promote a learning environment in which knowledge is converted to action, inspiring and enabling the creation of societal business leaders”*.

4.3.1 Pre-Merger Phase

Before explaining how the strategic alliance will be shaped, a previous analysis is needed to understand if the two organizations are the right partner for each other. The objective is to identify if there are the prerequisites for the partnership as explained in the literature review.

First of all, what needs to be checked is the financial stability of both organizations. Although the data at disposal are not entirely exhaustive, a financial soundness from both sides is expected since both organizations are growing, according to the forecasts. While IES is planning to increase revenues by roughly 50% in 2017, in the same year NOVA SBS will have its new campus ready to operate which can host a larger amount of students, therefore increasing the turnover.

Considering the external environment, there is no particular pressure from funders to consolidate. This applies in both organizations, although in this case the external competition might be a form of pressure. As we said, most of the top business schools are creating those kinds of centers and NOVA SBE might feel the pressure of following the trend to be competitive in the academic market and attract talents.

Third, we may assume both organizations are mature enough to join a strategic alliance. IES – SBS has already partnerships in place, meaning that it already experienced such an articulated process and it is able to successfully carry it on, while NOVA SBE can rely on years of experience in the field, being a point of reference in Portugal and Europe.

On top of that, the two institutions being both involved and interested in the field, do not present particular misalignments in their respective mission and vision. In fact, the two missions are both related with the improvement of the existing knowledge and the ability to

make it available to the students, in order to enable them to generate a positive impact on the society.

In conclusion, we do have to remember that the leadership plays a crucial role in a merging process as well as in the implementation of a strategic alliance. Over this topic, the IES – SBS can count on 17 skilled managers coming from some of the most prestigious business schools in the world (Hult International Business School, INSEAD, NOVA, Pontificia Universidad Católica de Chile) among with 65% of them hold an MBA, a Master Degree or a PhD. Moreover, the working background is extremely various ranging between private sector, public sector, academics and services. NOVA SBE presents a similar scenario, with a total of 97 lecturers among with 30% are from outside Portugal representing 25 different countries. From the side of the local lecturers, 85% of them obtained PhD abroad showing evidence that the whole human capital has an international background. In addition to that, 7 out of 10 best Portuguese researchers are working for the university as professors.

These figures make us sure that the leadership is made out of skilled profiles therefore reducing the risk of a premature failure.

4.3.2 The Implementation Plan

After having validated the compatibility of the two organizations under the financial, the cultural and the leadership aspects we can go move to the actual plan that is going to take place.

The key aspects that are taken into account in the strategic alliance regard the changes in the Governance, the Organizational and the Financing models.

- **Governance Model:**

The IES – SBS governance model is articulated in three levels:

- *Supervisory Level*, composed by the General Assembly and the Fiscal Council, is the level in which all the strategic decisions are recommended and approved. The main role is therefore to serve as internal advisors in order to develop the objectives. With the strategic alliance, NOVA SBE will be participating in those activities taking place in both entities. Within the new roles, protect the interests of both organizations will assume a vital importance, as well as manage all the risks that are associated with the partnership.
- *Corporate and Strategic Management Level*, includes the Strategic Council and the Board of Executive, which respectively take care of guiding the organization strategy and ensure the performances of the daily activities. In this case the University will join only one of the two entities actively participating in the decision making process.
- *Operational and Support Level*, is related with specific activities according to the functions of each department. It can be considered as part of the organizational model and needs to be explained in the details in a further point that is represented by the organizational model.

- **Organizational Model:**

The Organizational Model is divided, as earlier explained, in Support and Operations.

Following the example of the other Social Entrepreneurship Centers, the Operations are articulated in three main areas:

- Education:

The strategic alliance will enrich the number of programs and courses offered to students as well as executives. All the programs offered by NOVA SBE will be joined with the ones of IES – SBS with the objective of offering new methodologies and tools to operate in the social sector.

- Research:

Both the organizations will contribute not only in terms of resources but also in helping and guiding students through the development of theses and research over the subject, therefore enhancing the knowledge already existing.

- Labs:

Together with the Labs of the IES – SBS, NOVA SBE, counting on the student clubs and the Career Management Office, will manage the projects promoting partnerships with different stakeholders including the public sector, NPOs and the private sector,

On top of all, Human Resources, Accounting, Communication, Marketing, Logistics and IT represent the support functions. These activities as we can imagine, are exceedingly important to ensure an effective and efficient use of the resources. Joining the Strategic Alliance, the two organizations could build economies of scale related to those activities, cut costs and therefore become more sustainable.

- **Financing Model:**

Although, many aspect related to the financing model still have to be clarified, the two organizations will work jointly in seeking donations and funding. Regarding the products and services offered, the IES – SBS will coordinate the activities, meanwhile both organizations will dedicate on sales and marketing. Moreover, the alliance will include a

collaboration on the H2020 Project, in which the university will manage the applications and the IES – SBS will dedicate and focus on the contents.

4.3.2 Business Channels

The strategic alliance, will take into account three channels, which are going to be under the responsibility of both organizations.

1. B2C

The B2C channel concerns all the activities related to academic programs and courses for students. Mostly under the control of the IES – SBS in coordinating those programs, it will contribute in the commercial activities, such as selling the products and services offered by the center, coordination of admissions, logistics and also in terms of trainers that will deliver the courses. From the NOVA SBE side, the contribution will focus on the admissions management, especially regarding the IT side, the release of the MIB Certification and the Monitoring activities.

The main goal is to attract a larger number of students to join the programs as well as expand the network of contacts, social entrepreneurs and social businesses involved.

2. B2B

If in the B2C channel the focus is on the students' side, in the B2B the programs offered are addressed to executives. Here the contribution of the two organizations is more equally distributed. In the commercial activities, the IES – SBS will coordinate the activities, while NOVA SBE will take care of the CRM. The

admission process is also relying on the strict cooperation of the two organizations, where again NOVA SBE will offer support with the IT infrastructures and will also be fully responsible for the logistics. The network of trainers and lecturers will be shared but based on the contents offered by the IES – SBS. Regarding the consulting services, both organizations will be participating with their respective resources (Students, Professors, and Consultants). The objective is not only to offer more programs to the executives but also to extend the offer to various locations.

3. Universities

The third channel is represented by the university, where the biggest effort is needed by both organizations due to the fact that cooperation is strictly needed in all the activities. Regarding the bachelor and master programs the IES – SBS will map the organizations helped and the students with the highest potential in order to serve as a connection hub. For what concern the placement activities, in which NOVA SBE already has a strong presence with the Career Management Office, more opportunities related to the social sector will be highlighted through the partnership. Finally, mixing the knowledge in possess the two organizations will broad the contents at disposal, which is especially important to enhance the quality of the PhDs in Management.

A last aspect that must be taken into consideration, regards the **Back Office** activities. Relying on the broader experience NOVA SBE has and on its infrastructures already well established, the Financial and Administrative functions will be under the responsibility of the University, together with the IT development and maintenance. In addition, it will also take full responsibility for the legal structure needed, to operate internationally. The only

aspect that will remain under the full control of IES – SBS will be the Marketing and Communication function. However, this last choice has to be carefully managed because the marketing strategies implemented by the IES – SBS may differ or be misaligned with the marketing strategy developed by the university for its activities not related with the center but addressing the same stakeholders (Students, Organizations, Investors). Those hypothetical differences may come from the fact that NOVA SBE is a public institution, therefore meaning that a different type of marketing and communication is adopted.

5.0 Conclusions and Recommendations

When evaluating the Strategic Alliance Plan we must first look at the external environment. The context shows a sharp expansion of the Social Sector worldwide with 9.5 Million people involved in activities related to Social Entrepreneurship only in Europe. Universities are establishing specific programs over the subject to prepare future leaders operate in this environment. Moreover, the capital invested in social projects is planned to reach 1 Trillion of dollars in 2020. Thus, the private and the public sector are posing particular attention to the opportunities this situation will bring, starting initiatives and investing in Social Innovation Projects.

According to the literature, there is an essential need that the two organizations involved in the strategic alliance are compatible and able to carry out the implementation. This prerequisite has already been assessed in the pre-merger phase, in which has been proved that the two organizations are financially stable and can count on a skilled leadership. More important, the vision and mission of both are aligned and will be consolidated in the new center.

To reinforce their compatibility, the plan also included some conditions to delimitate a sort of borders of the alliance. In fact, it is stated that every organization will remain legally autonomous, not requiring any modification in relation to its current partners, its mission and its legal form. All the activities of the NOVA SBE connected with the new center will be fully under the control and responsibility of the Center, with the goal of an alignment of the programs. The strategic alliance that will take place is expected to be pursued through cooperation and therefore, restrictions have to be defined regarding the exclusivity of the project and hypothetical partnerships with other players. Furthermore, a Brand for the new Center needs to be defined and validated by both organizations. To conclude, both organizations will have to ensure the geographic locations in which they operate physically and related to the market.

All these conditions aim to prevent possible threats to the successful implementation of the alliance.

Pursuing the success, as we know it from the first paragraph of this report, there are two main aspects we want to consider.

Firstly, we have to make sure that together a higher impact is achieved than operating separately. The new center will allow the both organizations to make more knowledge available to students, professionals and transform it to action, being the perfect link with the social sector organizations. Students will benefit in terms of knowledge, research opportunities and work opportunities in a growing sector.

The organizations, not only will achieve a higher impact pursuing a consolidated mission, but they will also enjoy positive spillovers on their personal mission, such as be more competitive internationally, and improve the ability to attract more talents.

The second aspect considered concern the efficiency the new center will bring. In fact, without an increase in terms of operational costs, both IES – SBS and NOVA SBE will increase their respective access to the contents and will enrich the offer through cross selling activities. The only small increase of costs from the IES – SBS side take place in the University channel in which and additional FTE is needed. At the same time an increase of costs is expected from the NOVA SBE side regarding the Back Office activities. However, this will generate a sort of economy of scale since NOVA SBE already has a well-established Back Office department.

Considering all the limitations of this report, regarding time and the fact that the alliance is still in the early stages of the process, the partnership looks promising.

In my personal opinion and according to the literature, it is important that at this point, also the staff and the other stakeholders such as the students would be involved in the planning activities in order to gather a feedback over the agreement that is going to be signed and to avoid reluctance when the actual implementation will take place. Moreover, this stakeholders' involvement could bring more ideas to the projects and a good collaborating environment could make the difference in terms of motivation.

Future considerations and analyses would be desirable after the entire process is concluded, to obtain concrete evidences over the success of the partnership and to explain it in a quantifiable way and enhance the existing framework with fresh insights.

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